

Finance Department

Beginning Year General Fund Balance

The City's Y2002 Audit was presented to City Council on April 15, 2003 by Robert R. Bressan, CPA. The audit revealed general fund revenues \$1,738 greater than budgeted in 2002, and general fund operating department expenditures were \$73,836 less than budgeted for an unreserved general fund balance of \$268,333 for the beginning of 2003. After adjustment for the mandatory TABOR reserve, this unreserved balance was \$65,877 higher than expected at the end of 2002.

Water and Sewer Utility Rate Changes Went Into Effect on January 1

Water and sewer utility rates were adjusted for the first time since 1998, after a study was submitted to the City Council last November. The study centered on analysis of the infrastructure and capital improvement needs of the water and sewer enterprise funds. The customer and commodity charges for both utilities combined to increase the average city utility bill by approximately 70%.

Canon Avenue Storm Drainage Construction Project

Construction on the Canon Avenue storm drainage system began on February 15, 2003. This project became necessary after the floods in April 1999 destroyed the drainage system on Canon Avenue. This project was engineered by Rothburg, Tamburini and Winsor, constructed by Pate Construction Company and financed by Tatonka Capital Corporation. This \$1,241,000 project was scheduled in a manner so that it would not affect tourist travel areas. The project was substantially complete by August 4, 2003.

Utilities Payment Delinquency Ordinance

City Council revised Manitou Springs Municipal Ordinance 13.16.070 on April 15, changing the delinquency period on overdue utility billings from 90 days to 60 days. The Finance Department submitted a revision request contending that the 90 day delinquency period allowed delinquent accounts to accrue outstanding balances that become insurmountable. The Finance Department also instituted structured repayment plans for system customers who are experiencing economic difficulty.

Manitou Springs Metropolitan District Series 2003 Refunding Bonds

In April, the Finance Department assisted the Manitou Springs Metropolitan District with the refinancing of the Series 1991 General Obligation Bonds. The Metro District issued the bonds in 1991 to purchase the old Witchita Hotel, demolish the distressed hotel and build a municipal parking lot on the site. Under previous financing the Metro District owed \$170,000 remaining principal with a total repayment of \$234,780. The original bond issue in 1991 was for a principal of \$250,000 on a variable interest rate ranging from 6.4 to 8.5%, with a total repayment of \$305,429 by 2010. The Finance Department solicited 11 different proposals of various structures from two lending institutions. A proposal from Wells Fargo was awarded. The proposal was structured over 7 years at 4.25% with a total repayment cost of \$201,517, a savings of \$33,264 over the previous financing.

Water Restrictions Imposed Because of Drought Conditions

On May 13, City Council enacted Manitou Springs Municipal Ordinance 0703 concerning the emergency restriction of water use. Council immediately placed the level of restriction at Level 2 water restrictions, which placed water customers on one day per week outdoor watering. On December 2nd, City Council enacted a resolution to lower emergency water restrictions to level 0, in effect removing water restrictions. Water restrictions may be placed back into effect by council resolution at any time council deems necessary. The City continues to maintain a telephone information line concerning water restrictions at 685-5481, extension 3333.

Telephone Services Contract with Microtech-tel and Norcom Long Distance Service

The Finance Department entered into a 37 month contract with Microtech-Tel on April 28 after an examination of the City's telephone expenditures by the administration. Microtech-Tel hosts Qwest telephone service and Norcom long distance service. The plan stands to save the City \$116 per month over the previous Qwest plan. The plan makes these savings possible by allowing the City to make better use of its digital infrastructure. Additionally, the new plan incorporates billing codes allowing finance to more accurately bill the City's operating departments for their telephone usage.

Lease-Purchase of Police Vehicles and 800 MHz Radio Systems

In April, the Finance Department finalized the lease-purchase of 3 police vehicles and 30 800 MHz radios in 2 different financing issues. The patrol cars were valued at \$67,067 with total repayment of \$70,033 over three years, and the radios were valued at \$73,063 with a total repayment of \$75,939 over three years. Financing for both projects was obtained through competitive bid. The City's purchase of 800 MHz radio systems is motivated by a FCC mandate moving governmental services from the 500 MHz band to the 800 MHz band.

Mid Year Amended Y2003 Budget

The Finance Department prepared a preliminary amended 2003 budget which was presented to City Council on June 3. The mid-year amendment reflected the savings experienced at the end of fiscal year 2002 as well as funds for capital improvements to the City's reservoir and water distribution system, and a 3% cost of living adjustment for city staff, retroactive to April 1, 2003. On July 14, budget materials for final amending and fiscal year 2004 appropriations were distributed to operating departments and advisory boards.

Red Mountain Phase 2 Open Space Purchase

In mid-summer, the City began a process to purchase 21 acres of undeveloped land valued at \$450,000 at the base of Red Mountain for purposes of providing open space. On July 7, the Finance Department issued requests for land lease proposals for a portion of the purchase to 11 leasing institutions. The purchase was structured such that Great Outdoors Colorado (GOCO) provided \$230,000 to fund 18 acres that were not easily developable. The City land-leased the remaining 3 acres which were appraised at a value of \$220,000. These 3 acres were developable and offered as collateral against the lease financing. Financing was obtained through competitive bid at 4.92% over a term of 10

years with a total repayment cost of \$274,396. The City closed on the land lease-purchase on September 10.

Intergovernmental Agreement with Manitou Springs Business Improvement District

In October, the Finance Department drafted an intergovernmental agreement offering financial services to the Manitou Springs Business Improvement District. The agreement offered budgeting and other fiscal services and would include the Manitou Springs Business Improvement District in the City's pooled cash accounts. This IGA runs parallel to a baseline services agreement between the Business Improvement District and the City concerning public works and safety issues. Both agreements were signed by City Council on October 21, 2003, and take effect January 1, 2004.

Amended 2003 and Fiscal Year 2004 Budgets

On December 2, City Council signed Appropriations Ordinance number 3303 which appropriated funds for fiscal year 2004 and amended the annual budget for the year ending December 31, 2003. This process began on July 14, with issuance of budget worksheets to city department heads and committee chairmen. A draft budget was presented to Council on October 14, with detailed worksessions on October 28 and 29. Council legislated on the budgets in regular meetings on November 18 in first reading and December 2 in second reading. The City's general fund is budgeted to finish year 2003 with an unreserved ending fund balance of \$349,890 and \$216,549 in unreserved ending fund balance in year 2004.

A new operating fund, the Downtown Revitalization Fund, has been established for 2004. In November, the Manitou Springs Economic Development Council successfully submitted ballot questions to increase the City's sales tax and incur debt for the purposes of a downtown streetscape and revitalization project. The revenues (including debt, tax and grant proceeds) and expenditures of that project will be managed through the Downtown Revitalization Fund.

In regard to the November voter approved sales tax increase, the Finance Department mailed 528 sales tax increase notices to retail sales business license holders advising them of the sales tax increase. City sales tax will increase from 3.6% to 3.9% on January 1. Sales taxes affecting Manitou Springs consumers total 7.8% (3.9%, City of Manitou Springs; 2.9%, El Paso County; and 1%, State of Colorado).

The Year's Performance in Sales Tax

Sales taxes comprise approximately 40% of the City's general fund revenues. Manitou Springs, like other cities its size, depends upon the Colorado Department of Revenue for the collection of its sales tax revenues, and this reliance creates a two month lag between the time taxable sales occur and the City receives sales tax revenue. On December 12, the City received sales tax revenues from taxable sales occurring in the city during the month of October 2003. Through October, the City has collected \$1,338,168 which is approximately 1.6% less than revenues collected during this same period in 2002. Monthly returns this year have fluctuated from a high of 20.9% over the previous

year to 14.5% below. The months of November and December, both historically strong sales tax months, remain to be collected.

At Years End

The Finance Department is currently soliciting financing proposals for the Downtown Revitalization Project. As stated earlier, voters approved a .3% sales tax increase, estimated to generate \$134,000 in annual revenue, and approved debt to borrow up to \$1,850,000 for the project. Requests for financing proposals were sent to 11 lending institutions to raise capital for the project on December 4, with a proposal deadline of December 30. Award of the financing proposal will be announced on January 7, 2004. The Finance Department is requiring that the loan be closed upon by January 31, 2004.

Additionally, the Finance Department is working to close fiscal year 2003 and prepare for audit.

Michael Leslie
Finance Director